

HOUSE ENERGY, ENVIRONMENT AND NATURAL RESOURCES
COMMITTEE SUBSTITUTE FOR
HOUSE BILL 403

57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025

AN ACT

RELATING TO THE OIL AND GAS RECLAMATION FUND; INCREASING THE
AMOUNT OF THE TAX IMPOSED PURSUANT TO THE OIL AND GAS
CONSERVATION TAX ACT DISTRIBUTED TO THE FUND; AMENDING HOW
MONEY IN THE FUND CAN BE USED; MAKING AN APPROPRIATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 7-1-6.21 NMSA 1978 (being Laws 1985,
Chapter 65, Section 7, as amended) is amended to read:

"7-1-6.21. DISTRIBUTION TO OIL AND GAS RECLAMATION
FUND.--~~[A. With respect to any period for which the rate of
the tax imposed by Section 7-30-4 NMSA 1978 is nineteen-
hundredths percent, a distribution pursuant to Section 7-1-6.20
NMSA 1978 shall be made to the oil and gas reclamation fund in
an amount equal to two-nineteenths of the net receipts
attributable to the tax imposed under the Oil and Gas~~

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1 ~~Conservation Tax Act.~~

2 B. ~~With respect to any period for which the total~~
3 ~~rate of the tax imposed on oil by Section 7-30-4 NMSA 1978 is~~
4 ~~twenty-four hundredths percent]~~ A distribution pursuant to
5 Section 7-1-6.20 NMSA 1978 shall be made to the oil and gas
6 reclamation fund in an amount equal to [~~nineteen and seven-~~
7 ~~tenths percent]~~ the following percentages of the net receipts
8 attributable to the tax imposed under the Oil and Gas
9 Conservation Tax Act:

10 (1) beginning July 1, 2025 and prior to July
11 1, 2026, fifty percent;

12 (2) beginning July 1, 2026 and prior to July
13 1, 2027, seventy-five percent; and

14 (3) beginning July 1, 2027, one hundred
15 percent."

16 SECTION 2. Section 70-2-38 NMSA 1978 (being Laws 1977,
17 Chapter 237, Section 5, as amended) is amended to read:

18 "70-2-38. OIL AND GAS RECLAMATION FUND ADMINISTERED--
19 PLUGGING WELLS ON FEDERAL LAND--RIGHT OF INDEMNIFICATION--
20 ANNUAL REPORT--CONTRACTORS SELLING EQUIPMENT FOR SALVAGE.--

21 A. The oil and gas reclamation fund shall be
22 administered by the oil conservation division of the energy,
23 minerals and natural resources department. [~~Expenditures from~~
24 ~~the fund may be used by the director of]~~ Money in the fund is
25 appropriated to the division for the purposes of:

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1 (1) employing the necessary personnel to
2 survey abandoned wells, well sites and associated production
3 facilities; and

4 (2) preparing plans for administering and
5 performing the plugging of abandoned wells that have not been
6 plugged or that have been improperly plugged and for the
7 restoration and remediation of abandoned well sites and
8 associated production facilities that have not been properly
9 restored and remediated ~~and~~

10 ~~(2) supporting energy education throughout the~~
11 ~~state in an amount not to exceed one hundred fifty thousand~~
12 ~~dollars (\$150,000) annually].~~

13 B. The director of the oil conservation division of
14 the energy, minerals and natural resources department, as funds
15 become available in the oil and gas reclamation fund, shall
16 reclaim and properly plug all abandoned wells and shall restore
17 and remediate abandoned well sites and associated production
18 facilities in accordance with the provisions of the Oil and Gas
19 Act and the rules and regulations promulgated pursuant to that
20 act. The division may order wells plugged and well sites and
21 associated production facilities restored and remediated on
22 federal lands on which there are no bonds running to the
23 benefit of the state in the same manner and in accordance with
24 the same procedure as with wells drilled on state and fee land,
25 including using funds from the oil and gas reclamation fund to

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1 pay the cost of plugging. When the costs of plugging a well or
2 restoring and remediating well sites and associated production
3 facilities are paid from the oil and gas reclamation fund, the
4 division is authorized to bring a suit against the operator or
5 district court of the county in which the well is located for
6 indemnification for all costs incurred by the division in
7 plugging the well or restoring and remediating the well site
8 and associated production facilities. Any funds collected
9 pursuant to a judgment in a suit for indemnification brought
10 under the Oil and Gas Act shall be deposited in the oil and gas
11 reclamation fund.

12 C. The director of the oil conservation division of
13 the energy, minerals and natural resources department shall
14 make an annual report to the secretary of energy, minerals and
15 natural resources, the governor and the legislature on the use
16 of the oil and gas reclamation fund.

17 D. Contracts for plugging and reclamation [~~and~~
18 ~~energy education~~] pursuant to this section shall be entered
19 into in accordance with the provisions of the Procurement Code.
20 A contractor employed by the oil conservation division of the
21 energy, minerals and natural resources department to plug a
22 well or restore or remediate a well site or associated
23 production facility is authorized to sell the equipment and
24 material or product that is removed from the well, site or
25 facility and to deduct the proceeds of the sales from the costs

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1 of plugging, restoring or remediating.

2 E. As used in this section, "associated production
3 facilities" means those facilities used for, intended to be
4 used for or that have been used for the production, treatment,
5 transportation, storage or disposal of oil, gas, brine, product
6 or waste generated during oil and gas operations or used in the
7 production of oil and gas if that facility is, has been or
8 would have been subject to regulation by the oil conservation
9 division of the energy, minerals and natural resources
10 department or the oil conservation commission pursuant to the
11 Oil and Gas Act or the Water Quality Act."

12 SECTION 3. EFFECTIVE DATE.--The effective date of the
13 provisions of this act is July 1, 2025.

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